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MEMORANDUM FOR:

THE SECRETARY OF STATE
 THE SECRETARY OF THE TREASURY
 THE SECRETARY OF DEFENSE
 THE SECRETARY OF AGRICULTURE
 THE SECRETARY OF COMMERCE
 THE DIRECTOR OF CENTRAL INTELLIGENCE
 THE UNITED STATES TRADE REPRESENTATIVE
 THE CHAIRMAN, JOINT CHIEFS OF STAFF
 THE DIRECTOR, UNITED STATES
 INFORMATION AGENCY

SUBJECT: Williamsburg Summit Follow-up: Key Themes

The Williamsburg Summit has been a significant success. The President, together with his Summit-nation colleagues, achieved important progress on economic, political and security issues.

Although the Summit is officially over, it is essential to maintain momentum from that meeting. Thus, as officials from U.S. agencies and departments address Summit results, they should put special emphasis on the following key themes from the Williamsburg Declaration:

- The success of the Summit reflected, and was a product of, inspired collegial leadership (from a public diplomacy standpoint it will not be helpful to single out any one Summit partner's performance as stronger or weaker than any of the others).
- The Summit reaffirmed our shared democratic values.
- We made real progress in reinforcing our economic and security ties.
- The informal approach to the discussions enhanced both the quality and spontaneity of the Summit leaders' exchange.
- We resisted Soviet efforts to drive a wedge between us by committing ourselves to maintaining security, while seeking real arms reductions.

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- The work done at Williamsburg is directly relevant to the generations who will follow. The West is tackling long-standing challenges head-on, not settling for quick fixes.
- Williamsburg confirmed commitment to the convergence of our economies toward low inflation and sustained growth, thereby generating greater employment opportunities.

For additional and more detailed guidance, it may be useful to draw on the attached background, which carries inter-agency clearance and has been made available to our overseas missions.



William P. Clark

cc: The Counsellor to the President
The Director, Office of Management and Budget
The Chief of Staff to the President
The Deputy Chief of Staff to the President
The Chairman, Council of Economic Advisers
The Assistant to the Vice President for National Security Affairs

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Key Results of 1983 Williamsburg Economic Summit

- The Williamsburg Summit was a clear success from U.S. viewpoint and, we believe, for all the participants. Our assessment is best expressed in the President's final statement after he read the declaration: "Our meeting has shown a spirit of confidence, optimism and certainty--confidence that recovery is underway, optimism that it will be durable and certainty that economic policy and security ties among us will be strengthened in the future."
- The President considers the Summit to have been a signal success for all the participants.
- The atmosphere was relaxed and informal. Each of the leaders was able to address the issues each felt was most important, and the degree of consensus achieved was particularly striking.
- They quickly agreed that a successful strategy depends on our ability to recognize the linkages within the international economy and to act across a broad range of policies so that the program is coherent, reinforcing the links rather than tearing them in different directions.
- It is also worth stressing that their point of reference and departure was much broader than their concerns about economic issues as such, important as they are.
- The President has emphasized that the work of the Summit did not begin or end at Williamsburg; it is a long-term process which addresses the most pressing concerns of the successor generation and lays a solid foundation for the kind of world free peoples cherish.
- What really assures the cohesion of this group of countries is their unity as free democracies, marked by the values they share and their dedication to the promotion and defense of their freedoms and values. Thus, all recognize the fundamental fact, brought out early in the joint statement, that the prosperity they seek is more than material gain, and that this prosperity itself contributes to the defense of shared values and their freedom.
- In practical terms, this fundamental principle is what underlies their recognition of the relationships between prosperity and security, and between security and certain aspects of our economic relations with the East. This restatement of the security dimension in East-West economic relations is one of the more constant aspects, both of this summit and our relationships.
- On the action program itself, it may help to see the strategy in three broad components reflecting our relationships among ourselves, the interrelationships within the world economy, and our relationships with the rest of the world.
- As regards the relationships among ourselves, the most important actions from our viewpoint are those which the leaders decided to take to strengthen the consultative

process, begun last year at Versailles, to help each of us bring about greater convergence in economic performance toward sustained non-inflationary growth.

-- Movement toward such convergence is the key to achieving more stability in exchange rates.

-- In the annex published with the declaration, we have laid out the procedures to be used in the consultative process. After reaffirming the direct linkage between exchange market stability and policies designed to bring about greater convergence, it describes the policy areas which are to be examined and makes it clear that the purpose is to determine whether the policies being pursued in the short term are or are not likely to achieve the medium-term objective. If those policies are more likely to produce divergence than convergence, and in particular if one country is pursuing more inflationary policies than others, the group can propose corrective action for consideration by the diverging country. The value of this process is that it is multilateral but limited to those countries with greatest responsibility for the system; it uses the IMF director as a catalyst for analysis and debate, and it is comprehensive, considering all significant aspects of economic policy, thus permitting coherent policy suggestions.

-- In our view, this process subsumes the separate invitation to finance ministers to "define the conditions for improving the monetary system." We regard the achievement of greater convergence as perhaps the most important condition. Once those conditions have been defined, we can consider the part, if any, that a monetary conference might play.

-- The second set of interrelationships addressed in the action program are those among the world trade and financial systems.

-- Here, too, a coherent set of policy guidelines, designed to follow up and reinforce the commitments we have all recently made in the IMF, GATT and OECD, will help us to assure that we will come to effective grips with the major trade and financial problems we face in the months and years ahead.

-- These actions implicitly recognize certain key interrelationships in the world economy:

- the link between sustainable growth and the open trading system.
- the link between open markets and the availability of financing.

-- In effect, growth will be choked off if we do not act to keep our markets open and look toward increased trade liberalization in the future; and trade cannot grow without adequate financing available.

-- In this regard, our trade and financial relations with the developing countries are absolutely fundamental to their recovery and to the sustainability of ours.

-- The declaration outlines both short and longer-term aspects of a strategy to deal with interrelated trade and financial problems of the developing countries.

- In the short term, it reaffirms our common strategy for assuring orderly economic adjustment in countries with debt management problems, through provision of private and official financing in support of effective adjustment programs; our commitment to early ratification of IMF and GAB increases, and underscores the need to reverse protectionism and maintain open markets.
- In the longer term, the declaration signals the need to work for further trade liberalization, especially with and among LDCs, to examine proposals for a new negotiating round in GATT for this purpose, and to ensure that aid is targeted particularly toward the poorer countries and such priority sectors as food production.

-- Finally, as regards our relationships with the rest of the world, two aspects can be stressed:

-- First, those with the developing countries. In addition to our agreement on assuring an adequate flow of resources to the poorer countries there is agreement on the basic approach our countries will take to the UNCTAD conference in Belgrade this month, with particular emphasis on our desire for constructive and practical cooperation and results.

-- The second aspect of our relations with others is our agreement to pursue the work begun this winter in OECD, COCOM and NATO to develop a broader consensus among ourselves and with other Western countries on our economic relations with the East.